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Item 10 (b) of the provisional agenda

FINANCIAL SITUATION OF UNIDO

Proposed payment plan for Ukraine

Addendum

Report by the Director-General

1. Subsequent to the issuance of document GC.9/9, a letter dated 28 November 2001 to the President of the General Conference was received from the Minister for Foreign Affairs of Ukraine. The letter, which is reproduced in annex I to the present document, informs the President of the endorsement of the Government of the draft agreement being submitted to the General Conference for its final approval.

2. Corrections to the draft agreement contained in document GC.9/9 are shown in annex II to the present document.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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Annex I

LETTER FROM MINISTER OF FOREIGN AFFAIRS, UKRAINE

MINISTER

FOR FOREIGN AFFAIRS OF UKRAINE

323/28-2247 "28" November 2001

Excellency,

I have the honour to inform you that the Government of Ukraine would like to restore Ukraine's right to vote in the United Nations Industrial Development Organization (UNIDO) and to settle the problem of its arrears to the UNIDO budget.

The Government of Ukraine is in arrears in the payment of its financial contributions in an amount that exceeds the assessed contributions due from it for the preceding two fiscal years, resulting in the suspension of Ukraine's right to vote. The substantial arrears accumulated by Ukraine are the result of the outdated system of apportionment of the expenditures in the organizations of the UN system, which over many years was unable to adequately take into account the Member States' capacity to pay, as well as timely reflect the changes in their economic and financial potential. In addition, Ukraine has faced economic difficulties associated with its transition to the market economy and the need to allocate the substantial budget resources for resolving the Chernobyl-related problems. Thus, the Government of Ukraine believes that the failure to pay its assessed contributions has emerged due to conditions beyond its control.

In view of this, the Government of Ukraine hopes that, with the support of the Member States, the 9th session of the UNIDO General Conference will take a positive decision on the issue of restoring Ukraine's right to vote, based on the provisions of Article 5 of the UNIDO Constitution.

Being committed to the objectives of the UNIDO activities and wishing to continue fruitful co-operation with this Organization, the Government of Ukraine would like to settle its arrears to the UNIDO budget.

Following the consideration of this issue at the 24th session of the Industrial Development Board, my Government has held consultations with the UNIDO Secretariat which resulted in drafting an agreement between the Government of Ukraine and UNIDO on restructuring the debt for the period of 10 years. The Government of Ukraine has endorsed the draft agreement which is being submitted to the General Conference for its final approval. Under the payment plan, envisaged by the Agreement, Ukraine will pay its debt over a ten-year period, in addition to the current year's assessed contributions. As it is stipulated by the Agreement, the first instalment will be paid within two months of the approval by the General Conference of the proposed payment plan.

His Excellency
Mr. Shaukat Umer
President of the UNIDO General Conference
Vienna

Therefore, the Government of Ukraine is ready to settle its arrears, which have emerged due to the conditions beyond its control. In view of this, I would like to ask the General Conference to take a positive decision on Ukraine's request on restructuring its debt and restoring its right to vote, commencing with the 9th session of the General Conference.

I should be grateful if this letter could be made available to the Member States of the Organization.

Please, accept, Excellency, the assurances of my highest consideration.

[*Signed*]

Anatoliy Zlenko

Annex II

CORRECTIONS TO DRAFT AGREEMENT (GC.9/9, annex II)

The table in paragraph 4 should be replaced as follows:

Payment date	Arrears*	Current year's contributions (euros)	Total
Within two months upon approval by GC of this Agreement	US$ 602,062 €286,946	**	US$ 602,062 and €286,946
By 31 October 2002	865,556	**	
By 31 October 2003	865,556	**	
By 31 October 2004	865,556	**	
By 31 October 2005	865,556	**	
By 31 October 2006	865,556	**	
By 31 October 2007	865,556	**	
By 31 October 2008	865,556	**	
By 31 October 2009	865,556	**	
By 31 October 2010	865,556	**	
Total	**$8,392,066 €286,946**		

* In accordance with decision GC.9/Dec..., all arrears will be converted to euros by applying the fixed rate of ATS 13.7603 = €1 and US$ ... at the United Nations rate of exchange as at 31 December 2001.

** Contributions to be determined by the General Conference approval of the scale of assessments and the programme and budgets.

Paragraph 5 should read:

"A delay of more than three months by the Government in the payment of each individual instalment due shall be considered as non-compliance with this Agreement and shall be reported to the governing bodies."